



OFFICE *of the* GOVERNOR

STABILIZING OUR BUDGET

SHORT-TERM OPTIONS FOR FY 16

(To realize revenue prior to June 30, 2016 to address \$750 million FY 16 budget shortfall; will include some permanent structural budget stabilization)

Non-Revenue-Raising Measures

- Tap the Rainy Day Fund
- Redirect the first-year payment to state of BP settlement *non-coastal* dollars
- Cuts (suggesting a minimum 10%) to discretionary statutorily dedicated funds which are not constitutionally protected

Options That Would Also Address FY17 and Permanent Structural Budget Changes

- “Clean Penny” State Sales Tax: Add 1 cent to existing 4 cents state sales tax, but provide no exemptions to who pays this additional cent sales tax, except for constitutional exemptions for groceries, prescription drugs, and residential utilities
- Renew and increase monthly landline and cell phone state telecommunications tax: Currently 2% interstate and 3% intrastate; proposal would establish a 5% flat rate
- Repeal Business Utilities Sales Tax Exemption, and index to price of natural gas: proposes businesses pay all 4 cents sales tax on utilities, but index this so that when natural gas price goes up, business utility tax rate decreases
- Suspend refundable ad valorem tax credits for business inventory, offshore vessels and public service properties for telephone companies: proposing to suspend the current 75% refund of the credit businesses claim for 100% of the ad valorem tax they pay to local government; permanent change proposed for FY 17 and forward would cap credits at 80% of ad valorem taxes paid, and then allow business to receive 75% refund of that amount
- Raise tobacco tax from the current \$0.86 per pack of cigarettes to \$1.08 per pack
- Reduce Vendors’ Compensation payments and payments to Tobacco Wholesalers for collection and remittance of taxes to the state
- Reduce Investment Tax Credit for Insurance Premium Taxes insurance companies pay
- Require Internet Sales Tax collection and remittance by retailers
- Suspend Net Operating Loss (NOL) deduction for corporate income tax: currently can claim up to 72% of NOL as a deduction on state tax return; considering suspending altogether in current year and possibly permanently capping deduction at 50% of NOL



OFFICE *of the* GOVERNOR

STABILIZING OUR BUDGET

ADDITIONAL LONG-TERM OPTIONS FOR FY 17

(To address the remainder of the FY 17 \$1.9 billion budget shortfall and additional long-term structural budget stabilization)

Personal Income Tax Stabilization Package (depends on options chosen)

Consider changes to:

- Income brackets, currently 2%/4%/6%, for personal income taxes
- How much of the excess itemized federal deduction can be deducted on state tax return
- Voters' choice to eliminate Federal Income Tax deduction in exchange for lower individual and corporate tax rates

Other long-term options

- Extend Corporate Franchise Tax to any entity subject to corporate income tax, including LLC's that elect to be taxed as corporations
- Enact add-back provision for Corporate Income Tax
- Change apportionment formula for calculating Corporate Income Tax, possibly double-weighting sales
- Renew Auto Excise Tax, paid when someone rents a car: this expired in 2014; proposal would bring this back
- Increase excise taxes on alcoholic beverages to regional averages
- Extend Sales Tax on Hotel Rooms to Online Travel Companies, AirBNB, etc.
- Flat Tax for Corporations: Currently we tax corporations 4% - 8% based on corporate income in Louisiana; looking to simplify
- Remove 2018 sunset provisions on 2015 legislative changes, including 28% reduction in tax credits; 20% reduction in certain economic development and incentive programs; and credits for taxes paid in other states